

1. Existing available protective measures as to disability.

a. Against Permanent and Total Disability:

- (1) Individual's own commercial Ordinary Life policy which may have a disability feature contained for an extra premium, or a straight commercial disability policy.
- (2) National Service Life Insurance or U. S. Government Life Insurance which may have a disability feature added for an extra premium.
- (3) Federal Employees Compensation Act.
- (4) Civil Service Retirement Act.

b. Each of the above measures or instruments is analysed herewith:

(1) Individual's own commercial policies

- (a) A typical Ordinary Life policy with disability (and premium waiver) inclusion is that of Guardian Life of New York, N. Y.

1. For an annual premium of \$5.63 at age 35, Guardian will pay \$10.00 per month per \$1,000 of policy face-amount.

2. Exclusions are self-inflicted injury, military service in time of war and air flight except on commercial scheduled air lines.

- (b) A typical commercial straight disability policy is that written by Mutual Benefit Health and Accident Association of Omaha, Nebraska.

1. The benefit from an accident:

\$100.00 per month for life
(40.00 " " " partial disability for 3 mos.)

2. The benefit from sickness:

\$100.00 per month for life
(50.00 " " " partial disability for 3 mos.)

3. The premiums: \$50.00 per year to a preferred white collar risk.

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\$40.00	if	benefits	start	on	the	8th	day
35.00	"	"	"	"	"	16th	"
32.50	"	"	"	"	"	31st	"
30.00	"	"	"	"	"	61st	"
27.50	"	"	"	"	"	91st	"

4. The above benefits can be purchased in multiples of \$50.00 with proportionate difference in premiums.
 5. The policy is issued annually so that the Company may refuse renewal if initial benefit-days provision is abused.
 6. Until 6 months ago, air flight in non-scheduled service was excluded. Now it is included for an additional annual premium of \$3.00 per \$100.00 benefit.
- (2) National Service Life Insurance or U. S. Government Life Insurance
- (a) This legislation permits the World War II G.I., on return to inactive duty, to purchase life insurance in one of seven different policies to which he may add disability coverage for an extra premium. Example: Term life policy of \$10,000 face-amount at age 35 can add a disability feature paying benefit of \$50.00 per month for an annual additional premium of \$11.40.
 - (b) U. S. Government Life Insurance before World War II permitted a veteran to keep a policy containing disability provisions and add more if he chose for additional premium. Such a policy is no longer available.
- (3) Federal Employees Compensation Act.
- (a) The Federal Employees Compensation Act provides compensation for disability (and full medical care) resulting from injuries suffered in performance of duty or from diseases proximately caused by employment, for as long as the disability continues.
 1. This Act is an exclusive remedy, but does not prevent the beneficiary from electing to receive the benefits of the Civil Service Retirement Act if he so desires but he cannot receive such benefits concurrently with those under FECA.

2. All hazardous or semi-hazardous duty risks are covered.
3. Exclusions are disabilities resulting from willful misconduct, self-inflicted action, or intoxication.
4. The monthly schedule of benefits are:
 - a. To individual with no dependents: 66-2/3% of salary* loss not to exceed \$525.00 monthly. This maximum benefit of \$525.00 provides a benefit of 66-2/3% up to the maximum salary of GS-13, 58% of maximum salary of GS-14 and 53% of maximum salary of GS-15.
 - b. To individual with one or more dependents: 75% of salary* loss on salary up to \$5040 annually; 66-2/3% of salary* loss on salary above \$5040. The total benefit not to exceed \$525.00 per month (this maximum is an annual salary rate of \$6300 - about the middle of the GS-11 scale).
 - c. In either case above, plus varying specific number of weeks of compensation @ 66-2/3% of the salary rate, for permanent anatomical losses.
 - d. In either case above, plus \$75.00 per month, if an attendant is required, plus \$50.00 per month for rehabilitation training if needed.
5. Clearly, this is excellent coverage in the performance of duty area.

(4) Civil Service Retirement Act

- (a) The Civil Service Retirement Act provides disability benefits to employees of the U. S. Government with and without performance or line of duty qualification, provided the employee has acquired minimum eligibility of 5 years of civilian

* Salary rate includes amounts withheld for tax and retirement purposes plus value of subsistence quarters, etc.

service,* and is totally disabled.

1. Exclusions are injuries or disease due to vicious habits, willful misconduct or intemperance.
2. The benefit is based on base salary and length of service. This latter factor, of course, automatically describes the nature of the plan and hence, for an agency made up so heavily of youth, we find but small compensatory contribution. This is illustrated as follows:

	Min. GS-13	Min. GS-9
Highest av. 5 yr. salary	8360.00	\$5060.00
Civilian creditable service	12 years	5 years
Military service	2 years	3 years
	8360.00	5060.00
	x 1.5%	x 1.5%
	<u>125.40</u>	<u>75.90</u>
	x 14	x 8
	1755.60 annually	607.20
	146.30 monthly	50.60

c. Against Temporary Disability

- (1) Federal Employees Compensation Act
- (2) Public Law 110
- (3) The group hospitalization and surgical plan administered under Government Employees Health Association** CIA), underwritten by Mutual Benefit Health and Accident Association of Omaha, Nebraska (hereinafter designated QMAHA).
- (4) The group hospitalization and surgical plan administered under Government Employees Health Association*** (CIA), underwritten by Group Hospitalization Inc., (hereinafter designated GHI).

* Under 5 years of civilian service or more than 5 years with no widow or dependent children, the Act provides for a lump sum of the amount paid in, plus interest.

*** Government Employees Health Association. This is an incorporated association within CIA, with officers elected annually by its Board of Directors, organized in August 1948 for the purpose of administering a hospitalization and surgical benefit plan underwritten by Mutual Benefit Health and Accident Association of Omaha, Nebraska. The Association now embraces GHI also, offered to employees in March, 1953. This Association is entirely separate

d. Each of the above measures is analyzed herewith:

(1) Federal Employees Compensation Act (see b. (3) above)

(2) Public Law 110

(a) This Act provides substantial disability benefits to employees of the Agency assigned to permanent duty stations outside the Continental U. S., its territories, and possessions; for injuries or illness requiring hospitalization and which occur in line of duty.

1. Exclusions are injuries or illness resulting from vicious habits, misconduct, or intemperance.

a. Also, as shown above, TDY (refer to recommendations of the Legislative Task Force).

2. The benefits are:

a. Payment of travel expenses to and from an appropriate hospital or clinic (including an attendant, if necessary).

b. Payment of the cost of treatment.

(3) and (4) OMAHA and GHI hospitalization and surgical plans

(a) There are two hospitalization and surgical plans available to Staff Employees and Staff Agents (only) under procedures which are designed to protect security. Both plans pay substantial benefits to help meet hospital and surgical expenses arising out of injuries and illness.

(b) The first plan made available to employees (in August 1948) is OMAHA. It presents a straight indemnification arrangement, i.e., explicit cash reimbursement.

(c) The 2nd plan, made available in March 1953, is GHI. This plan is one of 80 Blue Cross plans in the U. S. and Canada, which have Inter-Plan service (reciprocal) Benefit Agreements with 4500 participating hospitals. If the admitting hospital is accredited but not participating in the Inter-Plan Agreement, cash allowances are provided. GHI is partially a benefit and partially an indemnification arrangement.

(d) Omaha combines in one contract specific surgical benefits within the Hospital Service Plan. GHI separates the

Hospital Service Plan from the Surgical Service Plan, and for separate fees the individual buys one or both.

Both OMANA and GHI provide coverage for the family for differing fees. The same benefits are extended to the family as to the individual contracting - if so contracted.

Both OMANA and GHI exclude coverage for injuries or illness arising out of or in the course of employment, i. e., where FECA coverage obtains.

- (a) Each plan is analysed and compared herewith, separately as to overseas and domestic situation.

OVERSEAS

Hospitalization

1. Hosp. Board & Room: \$9 per day for 31 days with no limit on frequency, plus \$135 for hospital extras
2. Plus surgical as shown below.
3. Plus out-patient emergency up to\$135
4. Effective date. 1st of the next month
5. Waiting period. Maternity only (see below).
6. Maternity. Waiting period 9 months and coverage extended 9 months beyond term of contract.
(a) \$9.00 per day for 14 days plus up to \$45 total for Hosp. extras.

OVERSEAS

Hospitalization

1. Hosp. Board & Room: \$10 per day for 21 days with 90 day interval on frequency, plus \$64 for hospital extras
2. Plus surgical as shown below.
3. Plus out-patient emergency up to\$ 10
4. Effective date. 1st of the next month.
5. Waiting period. See #1 below.
6. Maternity. #1 Waiting period - none. #1 No extension beyond term of contract.
(a) \$9.00 per day for 8 days except Caesarean, termination of ectopic pregnancy and miscarriage, for which hospitalization benefits are 1. above

#1 As of 5 Feb 1954 GHI eliminated all waiting periods for members currently insured and for EOD's who accept GHI within the 1st 60 days of employment. These waiting periods were: Pre-existing conditions - 1 yr. Maternity, tonsillectomy, acenidectomy - 10 months.

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GAHA Surgical

(Example)

GHI Surgical

\$ 50.....Hernia Ing. unil.....\$ 100
 75....." " bilat..... 140
 100.....Appendectomy..... 100
 100.....Radical Mastectomy..... 175
 50.....Fracture of spine..... 125
 35.....Hip dislocation..... 75
 150.....Prostatectomy..... 200
 50.....Normal delivery..... 80
 100.....Caesarean..... 150
 150.....Removal of Kidney..... 175
 50....." " Cataract..... 150
 100.....Gastrectomy..... 250
 25.....Tonsillectomy..... 55
 25.....Adenoidectomy..... 55
 25.....Hemorrhoidectomy..... 60
 150.....Hysterectomy..... 165
\$1235 \$2055

$$\frac{\$1235}{16} = \$ 77$$

This is 60% of GHI

$$\frac{\$2055}{16} = \$ 128$$

N.B. Below the 5th step increase of a GS-9 and including the minimum of GS-10, the surgical fees scheduled are accepted by the participating surgeon as full payment.

(The above, of course, disregards frequency of occurrence - is set forth as a quick look.)

Costs (monthly)		
Hosp.	Surgical	Total
--	--	\$1.60
--	--	4.75
--	--	6.00

Costs (monthly)		
Hosp.	Surgical	Total
1.70	1.00	2.70
3.70	3.20	6.90
3.70	3.20	6.90

Individual contract.....
 Individual & Spouse contract.....
 Indiv. & spouse & children.....

WASHINGTON

GAMA

Hospitalization

1. Hosp. Board & Room: \$9.00 per day for 31 days with no limit on frequency Plus \$135 max. for hospital extras Plus surgical as shown above Plus out-patient emergency up to \$135 Examples (Hospitalization only):

Bd & Room

\$ 90
270
126 (Plus a maximum of \$135
90 (to cover all hospital
126 (extras
90
27

Normal

appendectomy
comp. fracture
bilat. hernia
unilat. "
hysterectomy
hemorrhoidectomy
tonsillectomy

WASHINGTON

Hospitalization

GHI

1. Hosp. Complete Service for 21 days (semi-private, partic. hospital) with 90 days interval on frequency. \$10.00 per day if in private room. Plus \$5 per day for additional 180 days (See below)
2. Plus surgical as shown above
3. Plus out-patient emergency up to \$ 10
4. Examples (Hospitalization only):

Bd. & Room #1 (diff.)

10 days	\$ 135	(\$ 45)	Plus the hospital extras, (16 listed) which range from \$50 for the simplest, uncomplicated appendectomy to very substantial amounts for the serious or complicated case.
30 "	405	(\$135)	
14 "	189	(\$ 63)	
10 "	135	(\$ 45)	
14 "	189	(\$ 63)	
10 "	135	(\$ 45)	
3 "	40	(\$ 13)	

Net = 50% greater on Board & Room than GMAHA

#1 - Basic costs of Board & Room @ \$13.50 per day
(typical - presently) is absorbed by GHI
completely.

(f) Summary comparison of these two plans:

1. Overseas general hospitalization
OMAHA is far superior to GHI.
2. Overseas maternity hospitalization
OMAHA is substantially superior to GHI in normal pregnancy. In the cases involving Caesarean, termination of ectopic pregnancy and miscarriage (av. 10%, per Dr. Metjen), GHI is substantially superior.
3. Overseas surgical.
OMAHA is only 60% as good as GHI.**
4. Domestic general hospitalization
OMAHA is substantially INFERIOR to GHI in either a normal or abnormal case.
5. Domestic maternity hospitalization
OMAHA is substantially superior to GHI in normal pregnancy. In 10% of the cases involving Caesarean, termination of ectopic pregnancy and miscarriage, GHI is substantially superior.
6. Domestic surgical
OMAHA is only 60% as good as GHI.**
7. Fees are the same in each plan as between overseas and domestic. However, OMAHA's fees are all lower than GHI. For individual contract OMAHA charges 60% of GHI; for individual and spouse OMAHA charges 70% of GHI; for individual, spouse and children OMAHA charges 88% of GHI, but GHI doesn't offer just an individual and spouse contract at a lower rate than one inclusive of children.
8. Net on the above - if OMAHA's surgical could meet GHI, it is better than GHI for overseas if the dependents are with the employee. Even if OMAHA's surgical meets GHI, it is not as good a buy for domestic assignment.

** OMAHA has offered to match GHI surgical benefits with small increase in premium as follows: single contract, plus \$.16; individual and spouse, plus \$.89; family, plus \$.80. See Appendix XI.

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2. As to hospitalization, the two plans are strictly comparable in respect to an overseas location of the individual with family, but impossible of comparison in the domestic situation. This is because the GHI hospitalization benefit is buried under the completely untranslatable "full service benefits" with participating hospitals.

While the non-complicated case call for a minimal few hospital extras, the complicated case under GHI gets 16 of them free and as many times as necessary. These variables cannot be assessed dollar-wise for purpose of comparison with OMAHA.

Even though it is true that the seriously complicated case is statistically in the low frequency category, the great dollar benefits under GHI are nevertheless there for the individual who wants to insure against precisely such a risk.

It may be held that benefits in a serious case ride on the backs of the non-complicated majority in respect to fees, and also that throwing in "the works" for every member is misleading persuasion. However, the minority who do get caught in heavy extras can't pay with statistics.

The simplest and blandest appendectomy calls for about \$50.00 in hospitalization extras. From there it could go anywhere in cost while the patient still lives.

- a. Pregnancy hospitalization contains the same problem but not as seriously so. In 90% of pregnancy cases - the normal ones - OMAHA is a better buy, but not so if one wishes to insure against costs arising out of the minority of cases (i.e. Caesarean section, termination of ectopic pregnancy or miscarriage). Here GHI is superior.
- b. Again in the domestic hospitalization field GHI adds a fillip for the unusual case and offers \$5.00 per day for 180 days on top of the 21 full service benefit days. Strictly from the point of view of frequency statistics, this might be labeled a "come-on".
- c. Also, in the GHI brochure is seen the same hand as immediately above, i.e., the illustrated cases are not the usual ones. They are in the relatively infrequent category, but because there are but three of them, the coloration seems to be present. These cases are cancer

(1149.15 benefits), fractured vertebrae (337.05 benefits) and gall stones (518.90 benefits).

- d. GHI requires a 90 day interval between discharge and re-entry to a hospital. OMAHA requires one day. Here GHI is inconsistent with the preceding tactics as to minority occurrences.
- e. OMAHA's fee schedule is superior both in form and in dollars.
- f. GHI, being so firmly enmeshed in legislation and so integrated with the large and necessarily unwieldy Blue Cross presents practically no possibility of modification in plan to suit us, whereas OMAHA is completely flexible - even to a tailored plan.
- g. OMAHA's service to us in the settlement of claims (per [REDACTED] is "vastly better" than GHI. [REDACTED] characterizes GHI as a "bickering, negotiating outfit."

10. "Fine Print"

Comparison of these two plans is important also because of the effect of small items in irritation and dollars.

a. Ambulance

GHI won't pay to and from a hospital; Omaha will.

b. X-Rays

GHI won't pay unless the X-Ray is in connection with surgery performed within three days' time. Omaha will pay with no surgery nor time restriction.

c. Hospital Extras

GHI will pay on certain specific hospital extras without limit. Omaha pays on all extras up to their established maximum of \$135.00

d. Type of Hospital

GHI's reimbursement is dependent upon type of hospital, as follows:

Participating hospital - full benefit; member hospital of another hospital service plan gets the prevailing service of that plan; non-participating hospital gets only up to \$10.00 per day for 21 days, plus \$64.00 for hospital extras (the same as the GHI overseas rate). Omaha on the other hand reimburses the same all over the world in any hospital of the individual's own choice.

e. Room and Board

The "full service benefit days" under GHI pertains to a semi-private room, but if the individual chooses or really needs a private room, GHI allocates only \$10.00 per day. Omaha on the other hand pays the contract guarantee for any accommodation.

f. Dependent Children

Under GHI, they are added when 90 days old, and carried to the 18th birthday. Under Omaha, they are added when 14 days old and carried to the 19th birthday. This may well be important in connection with congenital anomalies.

g. Tuberculosis and Mental or Nervous Disorders

Under GHI, these are covered for only 10 days during any 12-month period. Under Omaha, they are covered for the same number of days and same frequency (one day break only) as all other accidents or illnesses.

h. Congenital Anomalies.

Under GHI, not covered at all. Under Omaha, full coverage at any age after 14 days from birth.

i. Outpatient Emergency First Aid

GHI requires reporting within two hours of accident, else they won't pay. Omaha allows 24 hours.

TAB D